ACCOUNTANCY

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CONTENTS

PROFESSIONAL NOTES

Tax Reserve Certificates

Official explanatory pamphlets on the new tax reserve certificates and forms of application have been available to the public since the end of December, and a study of these should go far to enable the practising accountant to advise his clients on the desirability of subscribing for certificates in anticipation of their future taxation liabilities. The Treasury has announced that the certificates may now be applied for in the names of firms instead of in the names of individual partners. Certificates already issued to individual partners will be accepted in payment of taxes or war damage contribution due from their firms.

The issue of the certificates will bring to an end the chronic controversy on the subject of the treatment, in computing capital for the purpose of the excess profits tax, of holdings of gilt-edged securities. For excess profits duty during the 1914 to 1918 phase of the world war, such holdings were, in certain circumstances, included in statutory capital, and on this analogy representations have constantly been made for similar treatment for the excess profits tax. The first obstacle to this argument was the decision in the case of *Commissioners of Inland Revenue* v. *Imperial Tobacco Company (Great Britain and Ireland), Ltd.*, that interest on current account balances received by the Imperial Tobacco Company should be excluded from assessment by reference to the specific wording of paragraph 7 of the Fourth Schedule of the Finance Act, 1937. As so frequently happens, certain *dicta* relating to the circumstances of the particular case, divorced from their context, could be construed as of wide and somewhat startling application, for example: "Money on current account with the bank is not, in my opinion, money which is used in the company's business; it is used in the banker's business." The hardships that would ensue from the application of this doctrine—if such it be—are too patent for elaboration here, even if space permitted.

Certificates as Capital Employed

There were, however, other and more serious objections to the inclusion of war loan and other Government securities in statutory capital. Practising accountants will have become familiar with the Revenue practice of closely examining cash and other liquid resources in the computation of statutory capital, and the need for this is apparent when it is borne in mind that if cash, which is really surplus to requirements, is allowed to rank, the taxpayer, with excess profits tax at 100 per cent., is in effect being given a yield of 8 per cent. (or 10 per cent.) on cash on current or deposit account. Similarly, if gilt-edged securities were included, the yield would be increased from the 2½ per cent. or 3 per cent. which the ordinary investor can obtain to 8 per cent. to

10 per cent., a result which would be bound to lead to widespread dissatisfaction. Correspondence and comment in the press seem to suggest a considerable measure of uncertainty in the minds of the public as to the treatment of these tax reserve certificates for the purposes of E.P.T. The official terms, however, seem to make it reasonably clear that holders will be in no worse position than they would have been had they retained the cash and not used it for the purchase of tax reserve certificates. It is asserted that they " will be treated as capital employed in the trade or business up to the same date as would be the case if the tax had been paid in cash." In other words, it seems that the tax reserve certificates will be regarded as cash balances and not be liable to exclusion from capital employed, except to the extent that the total liquid resources can properly be regarded as in excess of reasonable requirements, including taxation liabilities.

Central Compensation Funds

Some arrangement for the sharing of profits between the nucleus firm and those temporarily closed down is an essential feature of the policy of industrial concentration. The accountancy machinery necessitated by this pooling of earnings is now taking shape. In a recent Parliamentary answer, the Board of Trade announced that central compensation funds have been established in connection with the following industries: certain branches of the cotton, woollen and worsted industries, pottery, glazed tiles, carpets and steel sheets. The Department had also been asked to state on how many occasions compensation had been paid from such funds to firms now merged, but it was pointed out that, although the Board of Trade examined the compensation schemes submitted by industries to ensure that these conformed with the general principles of the Government's economic policy, the Board are not themselves directly concerned with the operation of the schemes. In reply to a further question, it was pointed out, too, that compensation payments did not depend on whether an excluded firm was making a profit or loss, but were designed to enable firms to remain in being so that they may restart after the war.

New Price Control Order

Even where wholesale prices and profit margins are both controlled, prices may be raised unjustifiably if the goods change hands an excessive number of times on their journey to the consumer, as the result, for example, of speculation. The new Price-Controlled Goods Order (S.R. & O. 1942, No. 64) is designed to put an end to this abuse. Except under licence granted by the Board of Trade, price-controlled goods may not be resold, otherwise than at retail, unless they have been imported by the seller himself, or bought from a manufacturer or importer. If price-controlled goods have been bought by retail in the course of the business, they must be sold at purchase price, defined as the invoice price after deducting all commissions and discounts, but excluding Purchase Tax and delivery charges necessarily and properly incurred. Legitimate intermediaries are safeguarded by the provision that it is a good defence to show that it was on August 21, 1939, and has since been, the usage of the trade to resell the goods in question. In the majority of cases the Order will clearly mean that only one middleman's margin can be added to the wholesale price, though its precise effect will depend on the policy adopted by the Board of Trade in issuing licences. Supervision of this kind must be expected to become increasingly necessary with the increase in the surplus of purchasing power in the hands of the public relatively to the available supply of goods. The North Midland Regional Price Regulation Committee has expressed its determination to see that the Order is rigidly enforced in its area, and has arranged that complaints from members of the public will be accepted by local councils, citizens' advice bureaux and trades councils, instead of having to be forwarded to the Committee's offices as hitherto. While making it easier for complaints to be lodged, this introduction of a more personal touch between the Committee and the consumer should help to enlist the co-operation of the public in the campaign against profiteering, and the move might well be copied by other price regulation bodies. Another recent Order, aimed at black market racketeering, makes it illegal for goods to change hands for spot cash without invoices.

War Damage to Date

Though the official figures of war damage to property have not been made known, and are not expected to be, a private estimate has been drawn up which places the figure for the first period ending August 31 last at not more than £170 million. While this does not cover the railways and public utilities, it is claimed to be, if anything, an over-estimate of the damage to property covered by the general scheme. If this is accepted, the figure is clearly a most encouraging one, for it represents less than 3 per cent. of the total for the whole country, which is now placed at £6,000 million. (The figure of £10,000 million mentioned in the debate on the Act was inflated by site values.) Urban and rural districts account for as much as £3,300 million, the provincial boroughs, including all the large towns, for £2,000 million, and London for no more than £700 million, of which the City represents only £70 million, and the remainder of Central London only £130 million. One implication of the £170 million estimate is that the whole of the first year's damage would be borne by property-owners, for the Act provides that these are to shoulder the first £200 million, the State contributing a further £200 million only if necessary, the burden being shared equally above the £400 million level. On behalf of property owners, it is now urged that the State should share equally in the burden, whatever the amount involved. At the least, a more generous basis of contributions is hoped for under the amending Act to cover the current period. It must be recognised, however, that this claim raises the whole question of the fundamental purpose of the Act. The real point at issue is whether the Act was intended merely to avert extreme individual hardship due to catastrophic damage, or as an expression of the view that the burden of war damage should fall on the nation as a whole, and not on any particular section of the community.

Claiming for War Damage

The War Damage Commission has issued a new explanatory pamphlet, known as Form C2X. It explains, in simple language, the steps to be taken in claiming on Form C2 payment of the cost of repairs to war-damaged houses, shops, flats, tenements, or office buildings. A note is given on the purpose and scope of each question on Form C2. The pamphlet also explains what evidence, in the form of builders' accounts, etc., is required, and sets out a form of authority for use if the claimant wishes the Commission to pay the money direct to his builder. There is a note on the circumstances in which professional fees incurred in connection with the execution of the works will be repaid by the Commission. Much of the information also applies to the repair of war damage to warehouses, factories and other classes of property not covered by Form C2. The pamphlet will be issued free to claimants, and it has also been placed on sale by H.M. Stationery Office, price 1d. per copy, or 3s. for 50 copies.

The Turnover of Bank Deposits

At first sight the Clearing House return for 1941 suggests a rapid increase in the rate of turnover of bank deposits in the latter half of 1941. Though the total for the year was only 7·4 per cent. higher at £43,011 million, clearings in the first six months were actually lower, whereas the third quarter showed a rise of 16·7 per cent., and the fourth quarter one of as much as 29·1 per cent., over the corresponding months of 1940. It is because so much of the new credit brought into existence since the war has lain dormant that finance through the banking system has been comparatively safe, and any marked acceleration in the turnover of deposits would, therefore, be most unwelcome. Fortunately, the percentage rise in clearings in the later months of last year proves on examination to be misleading, for in the winter of 1940 all spending was exceptionally reduced by air raids, while there has since been a considerable further expansion in the volume of deposits. The ratio of clearings to deposits in the second half of 1941 was little more than 14, against 17 in 1938 and as much as 25 ten years earlier. Cheque clearings, of course, are strongly influenced by financial payments (such as sales of securities or transfers of semi-finished products), so that this ratio represents what would technically be called the " transactions-velocity " of deposits, as distinct from their " income-velocity." For many years, Professor Pigou has recently pointed out, this latter ratio has been almost constant at around 2; in other words, national income is normally twice the size of the money stock, and the level of deposits in any six months gives a rough indication of national income in that period.

Banks to Handle Clothes Coupons

It has now been officially announced that negotiations have been in progress between the Board of Trade and the Clearing Bankers' Committee on a scheme for traders to deposit clothing coupons with their banks. In his statement to shareholders of Lloyds Bank, Lord Wardington stated that the banks have already agreed to provide the new service, which it is hoped to bring into operation shortly. Under the present system by which coupons are paid in to the Post Office in exchange for vouchers, there is not sufficient safeguard against loss, theft and fraud, while some 3,000 million coupons a year have to be counted and checked several times over on their passage back from the retailer through the various stages of production to the controlling authority. When the banking scheme comes into effect, both this irksome labour and the risks involved in dealing with actual coupons will be reduced to a minimum. Coupons paid in by retailers will be credited to a coupon account on which they will be able to draw by means of transfer orders certified by the bank. Lord Wardington confirmed the obvious assumption that traders will not be permitted to overdraw in expectation of coupon receipts (a process which might multiply the effective amount of coupons outstanding, just as cash gives rise to a multiple expansion in deposits). Otherwise there has as yet been no announcement of the details of the scheme, such as the precise responsibility undertaken by the banks towards their customers and the authorities respectively. Nor has any explanation been given for the limitation of the scheme to clothing coupons and the exclusion of the " points " coupons under the Ministry of Foods canned goods scheme, now extended to several other commodities.

Enemy Debts and British Property in Enemy Territory

The register of British property in enemy territory, which has hitherto been confined to property in Germany and Italy, is now extended to include real and personal property situated in Bulgaria, Finland, Hungary and Rumania, and in Japan and the Japanese Empire, belonging to persons and companies of British nationality resident or registered in the United Kingdom. Returns should be rendered on Form P, which may be obtained on personal or written application to the Assistant Secretary for Finance, Board of Trade, New Oxford House, Bloomsbury Way, London, W.C.1. If there is doubt whether the property is situated within one of these countries, the advice of the Department should be sought before the return is made.

The register of enemy debts compiled by the Finance Department of the Board of Trade is similarly extended to include all debts and other moneys owing to persons in the United Kingdom from persons who have become enemies by reason of the application of the Trading with the Enemy Act to Japan and territories in Japanese occupation. For convenience, the register will also include debts owing from persons in any part of China; but unless the creditor is a Japanese subject or concern or is in Manchuria, these debts should not be registered unless they are overdue and authority for payment out of the debtor's account or on his behalf has been sought and refused. The Treasury has authorised United Kingdom bankers to make payments in certain cases from accounts of residents in China, excluding Manchuria but including certain areas which are or may be in Japanese occupation, provided that express permission for the payment has been obtained from the Bank of England bearing date subsequent to December 7, 1941.

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TAXATION AND INCENTIVE

Wide concern has been felt lately about problems of taxation. By this is not meant the problem of the prospective level of taxes, but the questions of the effects of taxation on the volume of war production, the adequacy under war conditions of our conventional taxes, and the methods of assessing and collecting them. It is this administrative aspect, normally taken so entirely for granted, that has suddenly sprung into prominence since the turn of the year, which marked the beginning of the first deduction period for some 3,000,000 new taxpayers. In very many cases, it was impossible for the deductions to start at the beginning of the year, for the work of assessment could not be completed in time. Under the most favourable conditions, the assessment of several million manual workers would be an enormous task. Though deductions were only to begin this year, the liability to tax commenced on April 5 last, and the tax itself is assessed on earnings in the six months to October 4. Even where the taxpayer's income is fairly stable, this time-lag, and the intricate system of dependants' allowances, make income-tax assessment an extremely complicated process.

In wartime, clearly, it is more than ever necessary to " simplify and modernise cumbersome machinery." Yet it is claimed that, so far from difficulties being kept to the unavoidable minimum, " the administration of the income tax is cluttered up with archaic ritual and circumlocutory methods," largely because our present system of income tax has not been rationally planned, but has evolved piecemeal over the course of the past century. In consequence, the Inland Revenue Staff Association itself has asserted that " unless urgent and drastic measures are taken to relieve the strain . . . the income tax machine will come nearer to breakdown this year than it has ever been before."

If the only result were slightly to retard the inflow of revenue into the Exchequer, the consequences might not be very serious. Unfortunately, the law provides that the full deductions for the half-year must be completed by the end of the period, even though they may not have begun for some weeks after January 1. In theory, no doubt, income tax is the only tax which should not cause hardship, since it is assessed on money actually received and carefully graduated for personal responsibilities. In practice, this cannot change the fact that all wage-earners budget on a weekly basis, and that many live from hand to mouth. In spite of the provision that the sum remaining in the weekly pay packet must not be reduced below 37s. 6d. for a single man, and 57s. 6d. for a married man, there is no doubt that the telescoping of deductions into a much shorter period than twenty-six weeks can and does cause severe hardships. These are especially severe where earnings, as in shipbuilding, are seasonally high in the summer period, on which liability is based, or are depressed in the deduction period by sickness or unemployment. There seems to be an urgent need for a simplification which would relate deductions, not to annual income, but to current weekly earnings. The ultimate simplification of deducting a fixed amount or a fixed proportion would itself be inequitable, but a working compromise might perhaps be found between the realities of the situation and the anomalies of our antiquated tax law by some method of grading earners on the basis of normal earnings and family responsibilities, with elastic provisions for cases of unemployment and special hardship.

It is especially unfortunate that these administrative difficulties should have arisen at a time when they help to aggravate the resentment against income tax generally, which is already widespread among wage-earners. To a large extent this is, no doubt, based upon a misunderstanding of the true liability, for even now taxation on the lower incomes can hardly be considered onerous. Whatever the rights of the case, however, it would be manifestly unwise to sacrifice the need for all-out production to considerations of abstract equity or conservative finance. And it cannot be denied that the taxation of wartime increases in earnings, especially overtime earnings, is having a noticeably deterrent effect on output. In one quarter, a demand has actually been put forward for the tax exemption of all overtime and bonus earnings. Probably the simplest solution to this particular difficulty would be to ensure that overtime rates are attractive, despite taxation, for any special concession would undoubtedly create a fresh crop of difficulties and grievances. Overtime earnings are merely a special case of a more general problem which has been attracting attention for some time past. The same applies, for example, to the joint assessment of married couples, which is keeping many married women out of industry, or to 100 per cent. E.P.T., which removes any pecuniary incentive to minimise costs and maximise output. A higher rate of tax on each increment of income is, in fact, the essence of the progressive principle on which our whole system of direct taxes is based. From the point of view of social justice, the principle is not open to question, but it is unfortunate that we have not yet succeeded in reconciling it with the wartime need for an incentive to all-out production. If it were possible to discriminate between additional income earned only by exceptional exertion, and high earnings for normal output, the basis for a solution would be in sight. Since it is universally agreed that inflation to date has been slight, it is to be hoped that the Treasury is directing its efforts to this basic problem of adapting our tax system more closely to war needs, and not merely to methods of raising additional revenue.

National Health Insurance

By HENRY LESSER, O.B.E., LL.B., F.C.I.I., Barrister-at-Law †

The principal objects of National Health Insurance were stated in the preamble to the Act of 1911, namely,

(1) to provide compensation for loss of wages through illness, and

(2) the prevention and cure of disease.

It should be noted that the scheme is " national " only in the sense that the State enforces the payment of contributions in respect of the persons who come within the purview of the Act. To enter insurance to-day, a man or woman must first become employed. Individuals are brought within the scheme not as citizens of the State, but because they are wage-earners. There are to-day over 20 million insured persons representing about 80 per cent. of the total number of persons described in the census report as " gainfully occupied."

Persons Insured

The Act brings into compulsory insurance persons over the age of 16 employed in the United Kingdom under a contract of service,* but in the case of non-manual workers, the rate of remuneration must not exceed £420 a year. (Prior to January 5, 1942, the rate was £250 a year.) These persons are called " employed contributors."

A number of occupations are specifically *excepted* from the operation of the Act, such, for example, as employment under the Crown, or any local authority, or a statutory company where the terms of the employment include the provision of benefits which, on the whole, are not less favourable than those conferred by the Act. Employment as a teacher is not normally insurable, nor as an apprentice without money payment. Persons whose employment is only subsidiary or casual are excluded, and also, be it noted, employment of a wife by her husband, or, conversely, of a husband by his wife. Normally, anyone who has an independent income of £26 a year or more may apply for *exemption* from the operation of the Act, but this provision has been suspended during the war by the National Health Insurance (Emergency Provisions) Act, 1939. By this Act also certain persons engaged in " war occupations " (*e.g.* in a civilian capacity by the Admiralty, Army Council, Air Council, or other Government Department), even though *employed abroad*, are treated as though theywere insurably employed, subject to certain modifications.

Any person who has been insured as an employed contributor for a period of two years, may, on ceasing to be compulsorily insured (*e.g.* because his rate of remuneration exceeds £420 a year), become a voluntary contributor. A voluntary contributor is required to pay the whole of the weekly contribution himself, and is normally entitled to all the benefits of the Act just like any other contributor. If, however, his yearly income exceeds £420 he cannot obtain the statutory medical benefit, and his contribution is for that reason reduced by 3d. per week.

By the National Health Insurance (Juvenile Contributors and Young Persons) Act, 1937, a limited scheme of insurance was applied to employed persons under the age of 16.

Contributions

The National Health Insurance, Contributory Pensions, and Workmen's Compensation Act, 1941, raised the contributions by 2d. a week, and the present rates *for National Health Insurance only* are as follows :—

	Employer	*Employee*	*Total*
Men ...	5½d.	5½d.	11d.
Women ...	5½d.	5d.	10½d.

The weekly contributions for juvenile contributors remain unaltered at 2d. payable by the employer and 2d. by the employee.

The combined rates of contribution for ***Health and Pensions Insurance*** are :—

	Employer	*Employee*	*Total*
Men... ...	1/-	1/-	2/-
Women ...	9d.	10d.	1/7

The State contribution takes the form of the payment of a fixed proportion of the amount actually expended on benefits and administration, namely, one-seventh in the case of men and one-fifth in the case of women.

The employer is responsible for the payment of the weekly contribution by stamping an insurance card and deducting the employee's share from his wages. If the employer fails to do this at the time when the wages are paid he is not entitled to recover the amount from the employee at some future time. It is not sufficient to give the stamps to the employee, or to give him the money to buy the stamps.

Administration

The benefits of the Act are administered by Insurance Committees and Approved Societies, whilst the Minister of Health exercises certain powers and duties of a judicial and supervisory character.

An Insurance Committee is a corporate body, established under the Act in each county and county borough ; membership consists of representatives of insured persons, the local authority, medical practitioners, pharmacists, and the Ministry of Health. To the Insurance Committee is assigned the administration of medical benefit with power to undertake or assist schemes of health propaganda among the insured population.

An Approved Society is a voluntary association of insured persons approved by the Minister of Health for the conduct of business under the Act, and is charged with the administration of sickness, disablement and maternity benefits. Each society is an independent and self-governing body and is by its constitution under the absolute control of its members. Periodical valuations are made of the society's assets

† Author of *The National Health Insurance Acts* (Stone & Cox, Ltd.).

* In addition a small number of persons are insured even though they do not work under a contract of service—see First Schedule to the National Health Insurance Act, 1936.

and liabilities, and if a surplus is disclosed, the actuary may certify part of it to be available for the payment of additional benefits. On the other hand, if there is a deficiency, the members are liable to make it good. An insured person may become a member of any approved society which is willing to accept him, but by the Emergency Provisions Act, 1939, his right to transfer from one society to another is suspended during the period of the present emergency.

If an insured person fails to join an approved society, he becomes a deposit contributor, which means that he can only draw in benefits an amount equal to the contributions paid in by him with the addition of the State grant. Deposit contributors who prove to the Minister that they have been unable since entry into insurance to obtain admission to an approved society on account of the state of their health may apply to become members of the Deposit Contributors Insurance Section, and, if admitted, become entitled, subject to the ordinary qualifying conditions, to all the benefits (other than additional benefits) as though they were members of an approved society.

Benefits

The benefits conferred on insured persons are medical, sickness, disablement, maternity, and additional benefits.

Medical benefit consists of the provision of medical attendance and treatment, including drugs and certain medical and surgical appliances. The treatment which a practitioner is required to give comprises all proper and necessary medical services other than (1) treatment involving the application of special skill and experience of a degree or kind which general practitioners as a class cannot reasonably be expected to possess, and (2) treatment in respect of a confinement. He is also required to issue medical certificates.

A contributor becomes entitled to medical benefit immediately on entry into insurance—there is no waiting period. The right to benefit is retained throughout insurance, and, if the person is insured on reaching age 65 (men) or 60 (women), continues for life.

Sickness benefit consists of periodical payments during incapacity for work caused by " some specific disease or bodily or mental disablement of which notice has been given." It commences normally on the fourth day of sickness and continues for a period not exceeding 26 weeks in all. On the expiration of this period the insured person, if still incapacitated, may be entitled to disablement benefit, which is in effect an extension of sickness benefit at a lower rate of payment.

No title to sickness benefit is obtained until the insured person has been insured for 26 weeks and 26 contributions have been paid. In the case of disablement benefit the qualifying conditions are 104 weeks of insurance and payment of 104 contributions. The title to both benefits ceases at 65 years of age for men and at 60 for women, when, normally, the old age pension becomes payable.

The weekly rates of benefit were increased by 3s. from January 5, 1942, and are now as follow :—

	Sickness Benefit s. d.	*Disablement Benefit* s. d.
Men	18 0	10 6
Spinsters and Widows	15 0	9 0
Married Women ...	13 0	8 0

Special provision is made for treating as continuous any illnesses which are not separated by a period of at least twelve months, in which case benefit is payable as from the first day of incapacity. The amount of sickness and disablement benefits payable in any year may be reduced or suspended on account of arrears of contributions in the previous contribution year.

Maternity benefit is a " payment in the case of a confinement of the wife, or, where the child is a posthumous child, of the widow of an insured person, or of any other woman who is an insured woman." The amount of the benefit is 40s. Benefit can be claimed in respect of : (1) a woman's own insurance, and (2) her husband's insurance. Thus, a single woman would be entitled to one maternity benefit in respect of her own insurance ; a married woman who is not an insured person would receive one maternity benefit by virtue of her husband's insurance ; while a married woman who is insured as well as her husband could claim two maternity benefits—one in respect of each insurance. In the following cases two maternity benefits are payable to a married woman by reason only of her own insurance : (*a*) if the husband is insured but not qualified for benefit ; (*b*) if the wife only is insured.

It is important to bear in mind that the Act itself provides that maternity benefit shall in every case be the mother's benefit, and shall be administered in the interests of the mother and child. Title to maternity benefit is dependent upon the completion of 42 weeks of insurance, and the payment of 42 contributions, and the amount of benefit may be reduced or suspended on account of arrears of contributions.

Additional benefits are provided by individual approved societies out of any surplus that may be available for the purpose on valuation. These valuations take place quinquennially, and where the valuer declares that a disposable surplus has been disclosed, the society may submit to the Minister a scheme for the distribution of additional benefits in the form of an increase of the normal cash benefits or of payment towards the cost of various forms of treatment, *e.g.* dental, ophthalmic, convalescent home, etc. Additional benefits are divided into two categories—" cash " and " treatment." By regulations of the Department a society is given a measure of discretion as to the manner in which a " treatment " benefit shall be administered. An insured person does not become entitled to " cash " additional benefits until the commencement of the fifth year after that in which he became a member of his society, nor to " treatment " benefits until the commencement of the third year.

Special provisions limit the amount of sickness or disablement benefit payable where the insured person is entitled to receive or recover compensation or

damages, a personal injury allowance, or a war pension; and benefit is not payable to the insured person himself while he is an inmate of a hospital or similar institution, although it may be paid to him on discharge.

A person continues to be insured for all purposes for an average of twenty-one months from the end of the week in which insurable employment terminates (or, in the case of voluntary contributors, from the end of the week in respect of which the last contribution was paid). After this period, insurance may be extended year by year (without title to sickness or disablement benefit) by reason of notified incapacity or genuine unemployment.

Insured persons over the age of 65 do not themselves pay contributions, but remain entitled to medical, maternity, and "treatment" additional benefits for life.

Juvenile contributors are entitled to medical benefit only, but the period of juvenile membership of a society will count toward the qualifying period for any "treatment" additional benefits given by the society.

Special provision is made in regard to the benefits of married women; members of the Forces of the Crown; mercantile marine members; short service constables of the Metropolitan Police Force; and exempt persons.

Conclusion

In this brief outline many of the detailed provisions of the Act and Regulations have had to be omitted. For example, no reference has been made to the somewhat complicated financial arrangements, to the Dental Benefit Council, the Ophthalmic Benefit Approved Committee, or the procedure relating to disputes and appeals.

It will be observed, however, that the administrative system of the scheme has in many respects been assimilated to the long established practice of the large friendly societies—a type of institution familiar to industrial workers and well suited by experience and organisation to implement the contract of insurance in the spirit as well as in the letter of the Act.

Accounting as an Aid to the Works Manager in Securing Production

By W. F. EDWARDS, Incorporated Accountant

The real motive power of a factory is labour—chiefly that which is termed direct or productive labour. Machines, tools, materials and services must be available, but it is labour which applies or converts these to parts or finished product. Restrictions of space will not permit of a detailed review of this subject. These remarks are deliberately written in a positive form, to provoke thought and discussion.

Accounting can, and does, aid production where the following rules are in force and are adhered to :—

(1) All factory accounting entries must be "built up" to the desired objective punctually, not "lumped" and then analysed or "broken down" when someone has time to do this, often weeks or months afterwards.

(2) The "building up" of all factory accounting entries must be designed to achieve the following objects, in the order stated :—
   (*a*) Daily, weekly or monthly reports.
   (*b*) Monthly costs.
   (*c*) Monthly financial entries for the general ledger.

(3) All costing data must be built up and included in the financial books, and not run side by side with them or, worse still, be a thing apart which is checked with the financial books from time to time with everyone satisfied if the check is "about right" or "not too bad," or perhaps necessitating "digging" into entries which have by then become historical.

(4) The necessary "paper shuffling" must be the minimum practicable; it must be kept on the move and must always follow the needs of the factory and not, as is very often the case, dictate to some extent the factory system and so delay commencement or progress or completion of the manufacture of the product.

With the above as a background and with the right frame of mind and the "will to achieve," the following can be accomplished :—

(5) Daily reports and weekly and monthly summaries of analysis of actual labour hours into (*a*) direct labour, by product groups and production or expense work orders, and (*b*) indirect labour, by codes (for maintenance, etc.), or by work orders (for tools and major expense jobs).

The works manager and his section heads are vitally interested in these reports—so much so that they may try and work out the data themselves, but such workings may leave out something or someone and so be a false guide. Even if they are correct there will be double effort, as the accounting department must have this information to form the starting point of all factory costs and to show the trend of direct and indirect labour, and establish the base (direct labour) on which to absorb all overheads or burden, namely manufacturing expense.

(6) Daily reports and weekly and monthly summaries of output from each group or division, in terms of standard hours (or piecework values) and comparison of standard hours with actual hours as per (5) above. This is necessary to establish the efficiency of the work done in the actual hours, and the bonus due to the direct labour for the extra output.

This presumes measurement of the main output by standard hours; that is, the assigning, by the works manager's staff, to each part or product to be manufactured of a value in terms of hours or money. Thus, the machining group or division may be allowed one

standard hour for doing a job or, assuming the hourly rate of pay be 1s. 9d., the allowance may be expressed as 1s. 9d. The knowledge of how many standard hours are produced in a given number of *actual* hours is vital both to production and to financial control.

As a simple example, assume ten men work in a group for ten hours a day and six days a week, the total actual hours are 600. If in this time they produce 900 parts each valued at one standard hour or a total output of 900 standard hours, their efficiency is 150 per cent. Conversely, if they had produced only 480 standard hours their efficiency would have been only 80 per cent. If 150 per cent. can be reached in one week it should continue to be strived for in subsequent weeks—if it continues to be reached the overhead or burden per unit is much reduced, as the fixed portion thereof is spread over more units. If only 80 per cent. efficiency is reached there is a serious loss of productive efficiency and, consequently, output, and the works manager will wish to become aware of this at the earliest possible opportunity. The financial controller is also directly interested because a continuance of the low efficiency will result in under-absorption of the total overhead or burden for the period.

The works manager will undoubtedly be aware of certain delays and shortages before he receives the daily report, but to have it presented to him regularly from an unbiassed source—the accounting department —and with figures of inefficiency which are expressed or can be expressed in terms of money, means much more than pages of reasons and excuses from the works manager's subordinates.

The standard hour output should be calculated by the accounting department from inspection dockets, which can also form the receiving slips for the next group or division receiving the partly fabricated piece parts or for the passing of the completed piece parts or finished product to the main stores. In this way the docket is a proof of completion of, and the quality of, the part and also a movement slip and, most important, a credit docket for the man or group from which it is issued. Finished product inspection dockets should be valued and summarised and the total component parts of the cost (material, labour and burden) credited to these " In Process " asset accounts and the total cost debited to finished product asset account.

This is a good example of " building up " the entries necessary for the financial books and providing valuable information to the factory and general managements during and immediately after the period concerned.

(7) Weekly reports and monthly summaries of material rejected during manufacture, and scrapped or salvaged.

This information is compiled from defective material tags which are made out for parts which do *not* pass inspection. The material, labour and burden content of the material so rejected can be shown, thus giving the works manager clear advice as to the cost of bad work, and warning of unsatisfactory trends and possible eventual shortages. Like most other facts, these can be built up by the works manager independently of the accounting department ; but the latter need the information anyway, and they are far better equipped to organise its collection and presentation to all concerned, and then incorporate the monthly total in their general ledger entries.

(8) Weekly reports of material cost and actual labour hours to date (for comparison with the original estimate of total material cost and labour hours) of special production or expense work orders.

This information is particularly useful if presented currently because " something can be done " about " held up " orders or those showing excessive costs *during* manufacture. Afterwards the information is historical only and although " inquests " can be held they are usually tiresome and to a great extent unhelpful.

(9) In these times discussions as to how production can be increased take place almost every week and expenditure on expansion programmes and new tools may become necessary. If these schemes are " reduced to writing " by the preparation of a project for approval by the factory and general management, and if the accounting department keep separate records of such expenditure, monthly reports of the status of each project can be circulated and discussed. They serve to direct the works manager's personal attention to " hold-ups " by suppliers or by his own staff, and enable corrective action to be taken. When the project is completed, data is readily available to all concerned of the detailed cost of such work, much of which is of a capital nature and therefore important for future reference.

In many factories the accounting department is considered a nuisance and not able to be of much help, but with this kind of approach and state of mind it can become an extra " right hand " of the works manager and one which he and his staff will very quickly learn to appreciate as being helpful to them and their job of getting output. At the same time this approach is helpful to the general management and enables much interesting and accurate data to be submitted to the board of directors and, most important of all in these times, the increased output which such methods help to secure is of definite benefit to the national cause.

After the reports have yielded all these practical dividends they become, at no extra cost, the basis for accurate accounting and proper financial control.

The demand for output is increasing and the available labour to secure this output is becoming less, and that which is available is temporarily less skilled. This makes it imperative to apply ourselves to get the maximum yield from figures as well as from men and machines, and the regular and prompt submission of reports can help to obtain all these very important results, with credit to the accounting department and benefit to the works manager in his job of securing the maximum possible output.

TAXATION

E.P.T. Capital Computations

How many accountants are satisfied with the "standard" method of computation of capital? On the whole, it is often favourable to the taxpayer, but it may be as well to examine it a little more closely than has yet been done in any published articles to which our attention has been drawn. In order to do this, let us exaggerate the figures a little, and assume that a director-controlled company in the year to September 30, 1939, made a profit for E.P.T. purposes of £43,800, which, for simplicity, is also the accruing profit. The capital employed at September 30, 1938, was £200,000, and income tax and N.D.C. "due" at January 1, 1939, and October 1, 1938, were respectively £8,360 and £1,600. Dividends paid were: January 31, 1939, £6,000 (net), July 31, 1939, £4,000 (net).

Usual Capital Computation
C.A.P.: 6 months to September 30, 1939.

	£	£	£
Capital at Sept. 30, 1938			200,000
N.D.C. "due" Oct. 1, 1938		1,600	
I.T. "due" Jan. 1, 1939		8,360	
Accruing profits to March 31, 1939 ... £	$\frac{1}{2}\times 43,800$		21,900
Dividend, Jan. 31, 1939		6,000	
			221,900
			15,960
Capital at April 1, 1939			205,940
Accruing profit, 6 months to Sept. 30, 1939	$21,900\times\frac{1}{2}$		10,950
			216,890
Dividend, July 31, 1939	$4,000\times\frac{7}{12}$		1,333
Average Capital C.A.P.			£215,557

How can it be contended, however, that a "break" in the accounting period can alter the amount of capital employed? It would appear to be a truer picture to take the capital for the accounting period, thus:—

	£	£	£
Capital at Sept. 30, 1938			200,000
Accruing profit for year to Sept. 30, 1939	$43,800\times\frac{1}{2}$		21,900
N.D.C. due Oct. 1, 1938		1,600	
I.T. due Jan. 1, 1939	$8,360\times\frac{3}{4}$	6,270	
Dividend, Jan. 31, 1939	$6,000\times\frac{5}{12}$	4,000	
do. July 31, 1939 ...	$4,000\times\frac{5}{12}$	667	
			221,900
			12,537
Average capital			£209,363

In computing profits for a chargeable accounting period we are not permitted to adjust items because they arose wholly before or after the crucial date in the accounting period, and the method is therefore inconsistent. Recognition of this is given in Section 33, Finance Act, 1941, in that where a chargeable accounting period "bridges" March 31, 1940, it is necessary to work out the tax for the whole period on the alternative methods of computation and then to apportion the tax. But there is no corresponding right or requirement that a similar method be adopted in a standard period, when the same principles arise as those exemplified above.

For example:—

	£	£	£
Capital 31/10/35 ...			100,000
Accruing profits to 31/12/35	$40,000\times\frac{3}{12}$		6,667
Capital introduced 31/12/35			20,000
Capital 1/1/36 ...			£126,667
Income Tax "due" 1/1/36		7,000	
Accruing profits to 31/10/36	$33,333\times\frac{7}{12}$		19,444
ditto 31/12/36 ($40,000\times\frac{3}{12}=6,667$)	$6,667\times\frac{1}{12}$		556
Dividend 31/3/36 ...	$4,000\times\frac{9}{12}$	3,000	
			146,667
			10,000
Average capital by standard method			£136,667

Capital 31/10/35 ...			100,000
Accruing Profits to 31/10/36	$40,000\times\frac{1}{2}$		20,000
Capital introduced 31/12/35	$20,000\times\frac{10}{12}$		16,667
Dividend 31/3/36 ...	$4,000\times\frac{7}{12}$	2,333	
Income Tax 1/1/36 ...	$7,000\times\frac{10}{12}$	5,833	
			136,667
			8,163
Average for year to 31/10/36			£128,504

In view of the profits being the same for the years to October 31, 1936 and 1937, it is difficult to see why there should be the great variation in capital employed, due to accidents of accounting dates not coinciding with calendar year ends.

Space does not permit more detailed analyses, e.g. by computing on a day-to-day basis, but we should welcome readers' suggestions.

PUBLICATION

Supplement to King & Moore on Excess Profits Tax. (Butterworth & Co. (Publishers), Ltd., London. Price 5s. net.)

The merit for reference purposes of the original work by King and Moore on E.P.T. will have been borne in upon practising accountants as their knowledge of the operation of the tax has grown in the light of experience. The present supplement provides a most useful commentary on Section 29 with fully-worked examples of the effect of the inclusion of borrowed money in the statutory capital. The common problem of fluctuating bank overdrafts is not dealt with. The effect of Section 30, which provides for an addition to statutory capital in certain cases in respect of losses sustained, is not illuminated by comment or example, an omission which will be deplored by those who have sought to determine the modifications of a substituted standard (Section 27, Finance Act, 1940) resulting from Section 30, and whether a different standard should be sought under Section 32 (5), with effect from April 1, 1940.

The cross referencing is clear and convenient, but the commentary leaves one with the impression that the authors' enthusiasm for the rather thankless task originally undertaken has spent itself on the amendments relating to borrowed money, and they have little of practical value to say on the majority of the Sections.

Taxation Notes

Vacated Premises

Questions are often asked in these days regarding payments in respect of vacated business premises. A payment as consideration for the surrender of a lease is a capital payment and not allowable as a deduction from profits (*Cowcher* v. *R. Mills & Co.* (1927, 13 T.C. 216); *Union Cold Storage* v. *Ellerker* (1938, 22 T.C. 547). On the other hand rent paid for business premises is deductible, even though the premises are no longer used for the purposes of the business, e.g., where a branch shop is closed but the rent payable continues. If the vacated premises are sub-let, any excess of rent payable over rent receivable is deductible (*C.I.R.* v. *Falkirk Iron Co.* (1933, 17 T.C. 625); *Hyett* v. *Lennard* (1940, 23 T.C. 346)). There must, of course, be profits from the same business against which to deduct such rents; relief is not obtainable against another source of income.

Students and Taxation

It is difficult to think of a subject of which it is truer to say: "One is a student till his dying day" than taxation. The continual changes in the law, and the spate of cases in the courts, concessions, points of practice, etc., are never-ending. Even those of us who devote our lives to taxation practices are learning every day. It is probably this that gives the subject so many terrors for the newcomer to the profession, and in particular for the examination candidate. To these we would say that variety is the spice of life, and they ought to approach the subject as one full of interest. At first, concentration is desirable only on principles, rigorously excluding side issues. If everyone would devote a few hours to learning thoroughly the sources of income assessable under each Schedule and the bases of assessment applicable, much time would be saved later. Unfortunately, however, this part is usually skimped, with subsequent penalties. When the student can look at a source and say at once: "That is such and such a Schedule and therefore the assessment is so and so," he can proceed to learn the allowances to which individuals are entitled and the rules for adjustment of accounts.

Upon that foundation he can build—the rest is application of rules to special circumstances. None can run before he can walk, nor spell before he knows the alphabet. The same is true of income tax.

E.P.T. and N.D.C. are outgrowths of income tax and their study is much facilitated, indeed is easy, if based on a sound grasp of income tax principles.

Death duties are much simpler, and should give no trouble if the student only approaches them with an open mind, not with the idea that they are hard.

Payments on Account

Owing to the inevitable delays in agreeing E.P.T. computations, it is an increasingly common practice for Inspectors of Taxes to ask for payments on account, both of E.P.T. and of income-tax. While, *prima facie*, the request does not appear to be unreasonable, many accountants are now refusing to advise their clients to make such payments except where the delay is caused by the client's or the accountant's own difficulties in getting out figures. It appears that where a substantial payment on account is made, further delay occurs, presumably because the Inspector presses on with other cases in preference to those where little tax is outstanding. Where the Inspector has full computations, and the liability can be settled if he will deal with it, a refusal to pay on account is not unjustifiable, and may expedite settlement. Now that special certificates are available, the patriotic client can let the Treasury have the money in that way, so that the refusal does not harm the war effort.

E.P.T.—Reasonableness of Remuneration under Section 32, Finance Act, 1940

The official attitude towards Section 32 has already been indicated in these columns; excess profits must not be allowed to escape the net by being paid away in the disguise of remuneration. It appears that a very strict and close examination is being made of all increases in remuneration, and the general rule is that an increase can only be justified if the recipient has now more responsibility or greater work to do than he had before the war. An increase to meet the rise in the cost of living is not regarded as "reasonably necessary" in the case of those earning higher rates of remuneration, in effect, all executive officers and those of similar grades of employment. In this way, E.P.T. is being applied, through Section 35, Finance Act, 1941, to employees and whole-time service directors. The "datum line" is the pre-war salary—1938 and earlier years—and anything more than a moderate increase is liable to attack. Inspectors of Taxes will be kept busy on this aspect alone, and their activities will have repercussions on the profession, as each case must be argued on its merits, and taken to appeal if necessary.

The Chief Inspectors responsible for giving instructions on these matters are not working in ideal conditions in their remote war home, and we cannot help thinking that the wholesale evacuation to Llandudno has produced an unduly narrow outlook, the head office being out of touch with current affairs. Moreover, delays are the rule rather than the exception. Taxation ought to be certain, but to-day delays in giving decisions give rise to much uncertainty.

E.P.T.—Borrowed Money as Capital

An anomalous situation arises in the case of businesses working largely on bank overdrafts, as many are to-day. Now that borrowed money is treated as capital, it is possible to make a profit which escapes E.P.T. by borrowing to pay trade creditors promptly. In the case of a director-controlled company, for example, which borrows at 4½ per cent., the profit is 5½ per cent., as 10 per cent. is allowed for increased capital. If by prompt payment cash discounts are obtained, the profit is greater, as can be seen by the following (purposely exaggerated though not impossible) example:—

Average creditors £40,000; 2½ per cent. cash discount; 4½ per cent. paid on overdraft.

Gain by paying promptly and taking discounts:	
5½% on £40,000	£2,200
2½% cash discount on £40,000, 12 times a year = £12,000, accruing evenly over the year, equivalent to £6,000 extra capital. 10% thereon ..	600
Gain to company .. .. (subject to income tax)	2,800
Additional profits for E.P.T.	£12,000
Less increased standard as above	600
Additional E.P.T.	11,400

Readers may be interested to follow the repercussions through the creditors' computations, bearing in mind

that some will not be liable to E.P.T., so that on balance the Treasury should gain as well as the company in point in the above example. In normal circumstances the extra cash resources of creditors would enable them to increase their profits, but limitation of supplies must be considered. They will possibly have to invest the money as surplus to their businesses, so that the Crown will get it both ways.

Deduction of Tax from Rent

It is timely to remind readers that any excess of Schedule A tax deductible from rent over the next payment of rent due, can be deferred for three months on signing form A/2.

E.P.T.—Changes in Ownership

Section 16 (1), Finance Act, 1939, provides that as from the date of any change in the persons carrying on a business, the business is to be deemed to have been discontinued and a new business to have been commenced for purposes of E.P.T. Whilst this is subject to the further provisions of the section, none of the remaining subsections touches upon the effects of Subsection (1) in relation to deficiency relief. Thus on the death of a partner in a firm, no deficiency incurred before the death could, on the wording of the section, be carried over against excess profits after the death, and no relief could be given in respect of a deficiency after the event against excess profits earned previously.

The Chancellor of the Exchequer has recently announced in Parliament that, in the case of a change in the constitution of a partnership, it is the practice of the Board of Inland Revenue to allow to continuing partners appropriate relief in respect of deficiencies arising before or after the change, and that instructions to this effect have been issued. It is understood that the instructions are fairly extensive and comprehensive, and where a change has taken place since March 31, 1939, in the persons carrying on a business, enquiry should be made from the Inspector of Taxes concerned.

Excess Rents

A correspondent writes to enlist our aid in seeking to remedy what he describes as the " wrong " of levying the tax in respect of excess rents for 1940/41 on a comparatively few of the taxpayers concerned. He says the justice of the levy is unquestioned, but the method adopted is open to question, as most taxpayers remain undisturbed until 1941/42, and either all should be taxed in 1940/41 or none until 1941/42. We agree with the concluding remarks, but are not satisfied that the tax will not be assessed for 1940/41. There is no doubt that it has not yet been anything like generally assessed, but we see no reason to suppose that the leeway will not be made up as Inspectors of Taxes find time to ascertain the facts. Failure of taxpayers to disclose the excess rents on their returns for 1941/42 makes enquiry by the Inspector necessary, which will take time. We prefer to reserve judgment, while keeping the point before us. We deprecate the delay, which throws a burden on many persons with small incomes, and hope that the Revenue will give this matter immediate attention.

Working Proprietors : Extended Concession

Reference has already been made in these columns to the Inland Revenue concession under which working proprietors serving in H.M. Forces are regarded as eligible for the minimum standard of £1,500. It is understood that this concession has now been extended to working proprietors who have become members of the Civil Defence Forces, including the National Fire Service, Police War Reserve, and A.R.P. Services.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law.

Sur-tax—Transfer of assets to Canadian company for shares and promissory notes—Transferor in control of company—Finance Act, 1936, Section 18 ; Finance Act, 1938, Section 28.

The scheme in *Lee* v. *C.I.R.* (K.B.D., July 25, 1941, T.R. 181) was on familiar lines. The appellant sold certain assets to a Canadian company, formed for the purpose of the scheme, 900 shares in one private family company, and 165 shares in another, and also transferred to the Canadian company the benefit of a debt of £43,000 due to him by the second U.K. company. The consideration was 240 " A" shares of $5 each in the Canadian company, of which 200 were issued to the appellant and 40 to his wife, and the issue to the appellant of promissory notes for $300,000 payable by the Canadian company upon demand ; 240 " B " shares of no par value were issued by his request to the appellant's sons, whilst 3 " A " shares were issued to the Canadian incorporators of the company. The value of the assets transferred by the appellant was greatly in excess of the consideration received by him. The " A " shares were entitled to a maximum dividend of 50 cents per share and to repayment at par on a winding up. In that event, the holders of the " B " shares were entitled to the rest.

The " B " shares had no voting power, so that appellant, although not a director of the Canadian company, had complete voting control ; and, by reason of the terms of the company's charter, had, in fact, complete control.

Macnaghten, J., in finding for the Crown, held that, as the appellant had given full consideration to the Canadian company for the shares and promissory notes, Section 28 of the Finance Act, 1938, did not apply to the case. He held, nevertheless, that his control of the Canadian company gave him in relation to the income of that company powers within the meaning of Section 18 (3) (*c*) (*e*) of the Finance Act, 1936.

Schedule D—Pension from foreign company paid into current account with bank abroad—Loans raised with branch of bank in United Kingdom and credited to current account here—Loans transferred to bank abroad and debited to current account there—Whether remittance to United Kingdom : Schedule D, Case V, Rule 2.

The facts in *Wild* v. *King Smith* (K.B.D., July 25, 1941, T.R. 185) are stated in the heading. It was a case where the issue was, in effect, whether the decision against the Crown in the case of *Hall* v. *Marians* (1935, 19 T.C. 582 ; 14 A.T.C. 93 and 424) depended upon the particular circumstances of that case or was of general application. In the earlier case, it was found as a fact that the resultant position was not a scheme to evade, planned *ab initio*, but arose out of the circumstance that Mr. Marians

found himself unable to reimburse the moneys which had been borrowed by Mrs. Marians for maintenance. Here, there was clearly a scheme of avoidance; but both the Special Commissioners and Macnaghten, J., were unable to see that this made any material difference. In other words, intention has been ruled out as irrevelant.

Section 19 of Finance Act, 1940, has radically circumscribed the field in which the plan can be operated successfully; but it is still feasible with pensions and other "earned" income. The judgments in the case of *Hall* v. *Marians*, whilst unanimous against the Crown, will be found, on careful study, to reveal important differences of judicial opinion. The principle of the present case would seem to be that if the creditor agrees that a debt repayable in one place shall be repaid in another, and it is so paid, the result is that the debt is discharged where the creditor receives it, and that there is no remittance constructive or otherwise to the place where the debt was incurred.

As the potential leakage, although now limited as stated, will still be material, an attempt will possibly be made to stop it by a "power to enjoy" section upon the lines of sub-section 18 (3) of Finance Act, 1936.

Schedule E—Deputy town clerk to one local authority becomes town clerk to another—Whether cessation—Finance Act, 1927, Section 45 (5).

In *Hathaway* v. *Turner* (K.B.D., September 29, 1941, T.R. 199), the respondent had been deputy town clerk of Rotherham and had been appointed town clerk of Scarborough. The Revenue had secured an additional assessment upon the footing that he had ceased to hold an office or employment within Section 45 (5) of the Finance Act, 1927; but the General Commissioners had found that there was no cessation. Lawrence, J., reversed their decision.

He said that they had apparently been influenced by the fact that upon two previous occasions, when respondent had been assistant solicitor to Leicester Corporation and had then become town clerk at Aberystwith before becoming deputy town clerk at Rotherham, the Revenue had not taken action under the section. This, however, was irrelevant. They also seemed to have been influenced by *May* v. *Falk* (1932, 11 A.T.C. 213, 17 T.C. 218), although in that case there had been no change of employer. The Crown had relied upon *Thomas* v. *C.I.R.* (Court of Session, March 13, 1941, T.R. 69). He held that the argument that the respondent was carrying on the same work as he did before was not well founded. That the work was similar in nature did not make it the same work. He agreed with the majority in the *Thomas* case that cessation took place where there was a change of employer.

When opportunity offers, the present law as to commencements and cessations under both Schedules D and E should be reconsidered in the light of post-1926 experience. The problem is how to remove hardships without putting a premium upon artificiality.

Income tax—Mining leases—Right to withdraw support of surface—Payments as liquidated damages—Whether rents or easements—Finance Act, 1934, Section 21.

In *Earl Fitzwilliam's Collieries, Ltd.* v. *Phillips* (K.B.D., October 13, 1941, T.R. 205), the circumstances were that under two mining leases the company had to pay as liquidated damages £10 and £5 per acre of coal worked for the right to withdraw support from the surface; and the issue was whether these payments were "rents" or "easements" within Section 21 of the Finance Act, 1934. The Commissioners had decided that they were, and Lawrence, J., agreed.

For the Crown it was contended that *C.I.R.* v. *New Sharlston Collieries Co., Ltd.* (1937, 1 K.B. 583, 21 T.C. 69) was decisive of the point; whilst for the company it was argued that the payments were for the right to withdraw, whilst in the *Sharlston* case they were for immunity from action for damage. Lawrence, J., pointed out that, at the end of his judgment in that case, Greene, L.J., had mentioned as a possibility the actual point involved and said that the definition clause was sufficiently wide to prevent the result now claimed. He himself saw no difference between the two positions, and held that the leases did grant "easements" within the section. He rejected as unsound the arguments that the payments were not "rents" within the section but were liquidated damages and so capital. Although they might be capital to the recipient they still fell within "rent" as defined in the section; and he gave his reasons for this conclusion.

Income tax—Foreign possession—Basis of Computation—Change from three years' average to income of preceding year—Whether affecting income assessable under Case V, Rule 2 of Schedule D.

In *Gibson* v. *Mitchell* (K.B.D., Oct. 6, 1941, T.R. 209) the appellant was an engineering contractor doing work in the Sudan, at one time in partnership but, latterly, as an individual. The Special Commissioners had decided that the control of the business was at all times abroad and that at all times it was carried on wholly abroad. They held that the liability was under Rule 2 of Case V of Schedule D and fell to be assessed upon the basis of the preceding year under Section 29 (1) of the Income Tax Act, 1926. Lawrence, J., affirmed their decision.

For the appellant, it was claimed that the liability was upon the three years' average, and an ingenious argument was put up to the effect that Section 29 (1) of the Finance Act, 1926, was inapplicable to Rule 2 of Case V by reason of the inaptness of the wording. As to this, reference to the sub-section will show that, apart from Case IV—specially dealt with; a point in appellant's favour—it relates to cases where the computation is to be "on the full amount of the balance of the profits or gains or on the full amount of the income," neither of these being the basis of assessment under Rule 2 of Case V. It was also contended that Section 23 of the Finance Act, 1927, had no application to Rule 2 of Case V. For the Crown it was argued that the words used were not inapt; that proviso (*b*) of Section 29 (1) applies to both Rules of Case V; that Section 43 of the Finance Act, 1927, so construes them; and that such construction had been assumed both by the Privy Council in an Order in Council and by the Courts.

Lawrence, J., in his judgment, showed equal ingenuity. He demonstrated that the words used, if inapt, were also equally inapt to apply to income within Rule 1 of Case V. If he was wrong in this, the words were ambiguous and could therefore be construed in the light of the Order in Council and Sections 23 and 43 of the Finance Act, 1927.

The case is one which should afford the student some intellectual amusement. It is difficult, however, to see how the fact that the wording of the sub-section was considered by the judge to be equally inapt as regards Rule 1 of Case V as it is with regard to Rule 2 has any logical relevance to the point at issue, which

was its aptness or otherwise as affecting Rule 2 and nothing else.

Sur-tax—Dividends—Sale of shares—Contract of sale subsequently rescinded—Whether dividends from sale to rescission income of vendor or purchaser.

In *Spence* v. *C.I.R.* (Court of Session, Oct. 22, 1941, T.R. 219) an important point has been decided by a unanimous Court. Appellant in 1931 sold shares to C. and for 1936-37, 1937-38, and 1938-39 dividends were received by C. In 1939, appellant, in an action which went to the Lords, secured rescission of the sale contract upon the ground of fraud; but there was a counter-claim in respect of certain securities pledged by C. with a bank in order to finance the company during the period in which he held the shares, and at the suggestion of the Lords it was agreed to treat this as a set-off against the amount due to the appellant for dividends. Appellant contended that during the years between sale and rescission he was not the owner of the shares and the dividends were, therefore, not his income. What he had received was a lump sum for having been deprived of the enjoyment of the dividends. The Special Commissioners had held that the dividends were appellant's income but had allowed him by way of set-off interest which he had had to pay to C. in respect of the purchase money. The Court, in affirming this decision, held that the effect of the rescinding judgment was that C. never had any title to the shares. They belonged to the appellant all through the relevant years and, as a consequence, the dividends were his income.

National Defence Contribution—Income from investments or other property—Royalties—Licence to another company—Purchase of products of other company—F.A. 1937, Schedule IV, paragraph 7.

C.I.R. v. *Rolls Royce, Ltd.* (K.B.D., Oct. 10, 1941, T.R. 213), is a case of considerable importance not only as regards N.D.C. but generally. Two Rolls Royce research workers discovered and patented a certain alloy of aluminium. The respondent company granted to another company a licence to manufacture by which the grantor received a royalty per pound of alloy made under the patent and sent away from the place of manufacture. The agreement did not provide for any purchases by the grantor from the grantee but contemplated such purchases because it provided that the minimum royalty should cease if for a stated period the respondent company had ceased to use the grantee's product but had used others instead. For the Crown, it was argued that the royalty payments were not "income from investments or other property" within Rule 7 and were, therefore, liable to N.D.C. In the alternative, the respondent company was only entitled to deduct as the cost of the patent alloy used by it the nominal cost reduced by the royalty. The Commissioners, on appeal, had found for the respondent upon both points, and their decision was affirmed by Lawrence, J.

He held that *C.I.R.* v. *Gas Lighting Improvement Co., Ltd.* (1923, A.C. 723, 12 T.C. 503), was in favour of the respondent, whilst *Sangster's* case (1920, 1 K.B. 587, 12 T.C. 208) was clear authority that a patent royalty is income from property. The *Anglo-American Asphalt* case (1941, 20 A.T.C. 108, noted in our issue of July, 1941) was clearly distinguishable owing to the mixed nature of the agreement; whilst in *Sinclair* v. *Cadbury Bros., Ltd.* (1933, 149 L.T. 412, 18 T.C. 157), it was held that a deduction was permissible where non-deduction would make a statutory exemption nugatory.

LETTERS TO THE EDITOR

Payments and Receipts by Bank Debits and Credits

DEAR SIR,—I have read with interest the article in the January issue of ACCOUNTANCY, but my experience does not support the author's objections.

The system is well suited for the payment of trade accounts, and has been used for many years by a large and constantly increasing number of companies.

The number of payees who do not assent probably never exceeds a small fraction of one per cent., and it is easy to deal with them separately by cheque. A certificate signed by the payer's banker that he has paid certain sums into certain accounts is surely a better guarantee that the payment has gone into the payee's banking account than a receipt signed by the payee's cashier. Notification to the payee does not involve any expense, as it is most conveniently given on the form which is passed to him through the bank.

No evidence is furnished of the statement that to the payee the system is inconvenient, time-wasting and costly, and affords opportunity for fraud. Instead, it is admitted that he saves the cost of the receipt stamp and envelope and postage. Opportunities for fraud are clearly reduced, as the payee's cashier does not handle any cheques, nor is there any need for a receipt to be made out.

To the banker, payments by cheque mean several times as much clerical work as payments by the new system.

I ought, in fairness, to point out a disadvantage your contributor missed. Interest on overdrafts will be somewhat increased, as the payer's account is charged in full as soon as the list of items to be paid is sent to the bank, the payee being credited three days later. But the system is a good one. It suits a vast number of payers and payees, it is continually growing in popularity, and it would be a great pity if anyone hesitating to adopt it were to be deterred by reading the article in ACCOUNTANCY.

Yours faithfully,
VICTOR R. SHARP.

Redditch,
January 7, 1942.

Undrawn Remuneration

SIR,—I was interested in the paragraph headed "Undrawn Remuneration" in the Taxation Notes of your January Number. The point has been contested before the Special Commissioners, who accept the Revenue view of the position, largely on the ground of the wording used in the Schedule E Rules—*e.g.*, "entitled" in Rule 5 and "payable," *passim*. A personal view inclines towards accepting that decision as correct, although there is some ground for a contrary opinion to be derived from the decision in *Edwards* v. *Roberts* (19 T.C. 618).

Yours faithfully,
CECIL A. NEWPORT.

Leicester,
January 8, 1942.

[We are obliged to Mr. Newport for the note of the decision of the Special Commissioners. Without the facts on which they based their decision we cannot comment, but we are still unconvinced that a person can be assessable on a paper credit which the circumstances show could not be paid.—EDITOR, ACCOUNTANCY.]

FINANCE

The Month in the City

Markets in the New Year

For the first week or two after the Japanese onslaught, the stock market as a whole was restrained by " general 'Malays'." Since the turn of the year the depressing influence of this factor has been confined to the groups directly affected. Politically, the sustained progress of our Russian Allies and America's preparations for a gigantic war effort have served to offset the news of our Far Eastern reverses, leaving prices free to reflect the underlying " closed-market " influences making always for lower yields. Markets as a whole have thus got away to quite a good start in the New Year, as will be seen from the table below.

	Jan. 21	Dec. 17	Change	%
Consols 2½% ...	83¼	81½	+1¾	—
War Loan 3½% ...	105¼	104½	+¾	—
Australia 5% 1945/75	101⅛	101½	—⅜	—
3½% 1951/4	96⅜	97½	—¾	—
Brazil 4% 1889 ...	20½	14¼	+6¼	44
Jap. 5% 1907 ...	7	10	—3	30
B.A. West ord. ...	8	5¾	+2¼	39
Dunlop	30/0	32/3	—2/3	7
Fine Cotton Spinners	6/9	5/9	+1/0	17
Mexican Eagle ...	12/4½	10/6	+1/10½	18
Anglo-Iranian ...	2⅜	2 7/32	+5/32	7
Malaya General ...	1¼	1 11/16	—7/16	26
Telogoredjo	6/6	5/9	+9d.	13
Rubber Trust ...	19/0	20/7½	—1/7½	8
Malayan Tin ...	23/32	7/8	—3/32	12
Ipoh Tin	23/32	1 3/16	—11/32	39
Amal. Tin Nig.	9/4½	7/6	+1/10½	25
F.N. Indices :				
Ordinary shares ...	*80·9*	*79·5*	*+1·4*	*1·7*
Fixed interest ...	*133·8*	*131·6*	*+2·2*	*1·6*

The fixed-interest index has actually moved into new high ground, while the level of industrials is only slightly below the 1941 high of 83·2 touched at the beginning of December. Even the upward trend in South Americans has renewed itself vigorously on the view that the entry of the United States into the war is likely to bring still further improvement in the trade balances of the Latin-American republics.

A new *motif* is a speculative rise in textile shares, based on the heavy Russian and domestic demand for cotton fabrics which has sent cotton concentration into reverse.

The Future of Rubber and Tin

Severe though the declines in rubber and tin shares have been, it is difficult to regard them as exaggerated, for there is no doubt that the earning power of large sections of these industries must be crippled or even destroyed for many years to come. Admittedly, a " scorched earth " policy for Malaya could have been effectively applied without any widespread destruction of capital assets. Wholesale destruction of some millions of rubber trees is in any case impracticable, but it would be simple to remove the machinery for converting latex into rubber. Similarly, the Malayan tin industry could then have been effectively immobilised by the thorough-going destruction of the Penang smelter and the plant of the Perak Hydro-electric Co. On the other hand, it can be taken for granted that the Japanese will attempt indiscriminate destruction before they are turned out of Malaya again. Even more serious in the long run is the stimulus which the present position will give to the use of substitutes for rubber and tin. The United States is already planning a synthetic rubber output of 400,000 tons a year, or roughly two-thirds of her normal consumption. At present, the cost of the artificial product is around 25 cents per lb., but so enormous an output would permit great progress towards the ultimate objective of around 10 cents per lb., at which level it would be competitive with natural rubber. The case of tin is no doubt rather more hopeful, since the special qualities of this metal must always render it preferable to any other in certain uses. Even so, the large-scale economies and substitutions which will now be necessary are hardly likely to leave the position unchanged. In particular, new methods of preserving food may be developed and new alloys discovered for solder and bearing-metals. If rubber plantations and tin mines are destroyed on a large scale, moreover, the question will have to be faced whether it is good economics to invest fresh capital in industries which for years have been forced by surplus capacity to operate under restriction schemes, though if their investments are not physically replaced, rubber and tin shareholders can presumably count upon some form of financial compensation.

Vesting Procedure

The latest Indian debt repatriation is estimated to cover a total of no less than £151 million and will reduce India's outstanding sterling debt to no more than £92 million, compared with £255¾ million at the end of the last financial year. A somewhat cynical view of the sanctity of contract is suggested by the procedure adopted. A full year's notice—as provided in the contract—is being given in respect of the 3½ per cent. stock, which, however, stood only a fraction below par. In the case of the 2½ per cent. stock, which stood almost 22 points below par, and the 3 per cent. stock, which was at a discount of more than 9 points, the normal vesting procedure has been adopted. Technically, to be sure, no breach of contract is involved, since it is not the Indian Government but the U.K. Treasury, using its powers under the Defence Regulations, which forces holders to relinquish their investment. Nevertheless, there seems no good reason why a limited section of the community should suffer a cut in income, determined on the purely arbitrary basis of their happening to hold particular stocks, in order that the country as a whole may enjoy the benefit of financial assistance from Empire countries. Holders of dollar securities pledged against the R.F.C. loan are guaranteed the sterling equivalent of the dollar income of their particular holdings. It should not be impossible to find a solution which would put holders of sterling-area securities in the same position. The Treasury could either pay a remunerative rate on overseas sterling balances or alternatively issue to U.K. holders of Empire stocks a replacement security, bearing the same rate of interest as the original stock, until the first date of optional redemption.

Points from Published Accounts

Comparative Profit Figures

The preliminary profit figures published by Carreras caused something of a surprise. They showed that, although the trading profit had undergone little change, a dividend of 27½ per cent. was being provided with £34,720 to spare, whereas in the preceding year a 26⅝ per cent. payment had entailed a draft of £26,763 on the carry-forward. This could only be taken to mean that taxation had demanded a smaller toll, even though E.P.T. had operated for the first time at 100 per cent. Yet the full accounts gave the provision for taxation as £1,534,464 and included comparative figures which apparently showed, *inter alia*, that this went against only £1,072,955 for 1939-40. The explanation is that this time the tax provision includes £535,659 of income tax deducted from dividends, whereas a year ago these payments were shown gross. With the larger question as to which method of treating dividends represents the sounder accounting practice we are not at the moment concerned. Our point is that, on whichever basis the appropriation account is drawn up, "comparative" figures, where these are provided, ought to be truly comparable. The mere fact that such particulars are provided is in the ordinary way taken as a guarantee that the two sets of figures may be contrasted without qualification. In this case such an assumption would lead a shareholder to believe that the net profit, after tax, had fallen from £1,030,317 to £587,144. In fact the latest profit, calculating on the old basis, actually records a small advance to £1,122,803. Again, because the figures in the 1939-40 column are a summary of accounts drawn up on a different basis, the balance carried from appropriation account to the balance sheet is only £311,168, against £844,492. This is because a £10,000 pensions fund allocation and a final ordinary dividend have this time been deducted in appropriation account and shown in the balance sheet as "proposed allocations," whereas a year ago this was not done. The balance brought forward from the last accounts is shown as a credit of £276,447 to appropriation account, but nowhere are particulars given enabling this amount to be related to the £844,492 carried to the balance sheet last time. It cannot be too strongly urged that comparative figures should be given in adjusted form; otherwise they are better omitted.

Tax-Free Payments

In these days when, owing to the progressive increase in the income-tax rate, a record of declining tax-free payments may actually conceal a year-by-year advance in the gross distribution to shareholders, it is very helpful to have the net rate of dividend translated into the gross rate. It is necessary, however, to have the translation made crystal clear. Among the recommendations made by the directors of Amalgamated Cotton Mills Trust is the payment of a dividend "on the ordinary shares of 1d. per share, free of income tax (equivalent to 16⅔ per cent.)." At first sight it would seem that 1d. per share tax free is equal to 16⅔ per cent. tax free; but the ordinary shares are of the 1s. denomination, and what the board is essaying is a double translation—from a net amount to a gross percentage. There is, in fact, a grave elipsis. A better formula would be: "1d. per share free of income tax (equivalent to 8⅓ per cent. free of income tax, or 16⅔ per cent. less income tax at 10s. in the £)." The balance sheet shows the net interest in subsidiaries at £975,065. Immediately underneath this entry is a panel with the heading: "Represented by assets, less liabilities, as follows." The figures provided therein, added to those in the company's own balance sheet, give a composite view of the group's position. Total fixed assets can be calculated at £983,916, against £559,294 for the parent company alone. Similarly stock is £1,459,128, against £872,363; debtors are £499,285, against £265,536; and cash is £581,767, against £265,297. And the total tax provision is shown to be £782,822, against £280,000. The differences between the two sets of figures are so marked that the calculations involved are well rewarded. But, elementary as these are, it is difficult to see why shareholders are put to the trouble of making them when a consolidated balance sheet would present the same information—and no more than that—at a glance.

Michael Nairn & Greenwich

The criticisms in the preceding note fully acknowledge, it is hoped, the evident desire of the directors to clarify matters for the shareholders. The information is there, even if it has to be dug for. But even the most diligent quarrying gives little reward in the case of Michael Nairn & Greenwich. The balance sheet of December 31 last shows assets to total £2,553,264. Of this 97 per cent. is represented by interests in subsidiaries, which are made up of investments £2,322,246 and amounts due, including dividends declared and receivable, £155,510. In view of the importance of these items the absence of a consolidated balance sheet is greatly to be regretted. So is the lack of a composite profit statement, for the company must draw its revenue almost entirely from these holdings and there is nothing to show the relationship between the profits disclosed by the parent concern and those earned by the subsidiaries.

Tate & Lyle

The most notable features of the Tate & Lyle accounts were an advance from £3,500,082 to £8,467,980 in the stock of sugar, syrup, materials and stores, and an increase, mainly flowing from that, from £304,194 to £6,020,000 in bank indebtedness. Circulated with the accounts was a statement in which the chairman, rather than present an incomplete statement, asked shareholders to accept the report and accounts without further comment. It was added that the Ministry of Food had requested the company to hold far larger stocks of sugar than had been its practice in the past, and shareholders were asked to agree that the directors' borrowing powers should be extended from £8,600,000 (equivalent to the amount of the nominal share capital) to £12,000,000. Shareholders are rightly reluctant to press for information where this might conceivably be inimical to the war effort. But the baldness of the request for further borrowing powers of £3,400,000 is emphasised by the prior report of the British Sugar Corporation. The corporation too is carrying strategic stocks and at March 31 it was making use of Ministry of Food advances of £7,150,000. Its report intimated that the Government had given the company an indemnity against any loss on ultimate realisation of the special stocks. On the face of it there is an obvious likelihood that a parallel arrangement exists between the Government and Tate & Lyle, and the position in this respect might well have been made plain. There is a great difference between agreeing to hold vast sugar stocks at risk and agreeing to hold them under a Government guarantee against eventual loss. There is a similar difference between sanctioning extra borrowing powers for the one purpose and sanctioning them for the other.

LAW

Legal Notes

COMPANY LAW

Voluntary Winding-up—Stay of Distress—Debt Due to the Crown.

In a compulsory winding-up, a creditor is prevented by Section 174 of the Companies Act, 1929, from levying distress or execution on the goods of the company being wound up; no interference is allowed with the custody of the officer of the Court. The powers of a liquidator to obtain a stay of distress in a voluntary liquidation were considered in the recent case of *Re Margot Bywaters, Ltd.* (1941, 3 All E.R. 471). The liquidators of the company sought an injunction restraining the Commissioners of Customs and Excise from levying a distress for arrears of purchase tax, and Simonds, J., was asked to make permanent an interlocutory injunction granted by Uthwatt, J. The company went into voluntary liquidation in March, 1941, and had previously become liable to the Commissioners for £501 in respect of purchase tax. The Commissioners authorised distress on the company's goods. As the liquidation was voluntary, the distress was not automatically avoided under Section 174. The liquidator in voluntary liquidation had to apply to the Court to stay proceedings; unless exceptional circumstances justified the continuance of the distress, the application would be granted. The estimated deficiency was £15,000 and if assets were distributed amongst creditors only a dividend of 5s. in the pound was expected. A nominee of the directors offered to all creditors, including the Commissioners, to purchase their debts at a discount of 2s. 6d., that is, to pay them 17s. 6d. in the pound. The creditors generally accepted so that the nominee stood in their shoes. The Commissioners thought it inappropriate or unseemly to assign to a subject a debt due to the Crown; they declined the offer and relied on distress to bring then 20s. in the pound.

Simonds, J., held those were not circumstances justifying the Court to allow distress to proceed. There was no reason why the Crown, as against the nominee, should be in any better position than as against the creditor in whose shoes he stood. It was not contended on behalf of the Crown that the purchase tax was an assessed tax in regard to which any preference was given by Section 264 of the Companies Act, 1929.

EMERGENCY LEGISLATION

Action for Possession—Tenancy Determined by Notice to Quit—Leave to Proceed under Courts (Emergency Powers) Act, 1939, Unnecessary.

In *Whitstable Urban District Council* v. *Tritton* (1941, 3 All E.R. 405), the Court of Appeal decided a question under the Courts (Emergency Powers) Act, 1939, Section 1 (2) (*a*) (iii), which has been the source of doubt and difficulty. The plaintiffs, who appealed from the decision of a County Court Judge, were owners of a housing estate, and the respondent was tenant of one of their houses on the estate. In accordance with the terms of the tenancy, the appellants served him with a notice to quit; on his failure to comply, they brought an action claiming possession, arrears of rent, and mesne profits. They obtained judgment and applied to the County Court Judge for a writ of possession. (The Rent Restrictions Acts were not applicable.) The Judge held that, by Section 1 (2) (*a*) (iii) of the Courts (Emergency Powers) Act, 1939, it was necessary to obtain the leave of the Court before the appellants could enforce the order for possession.

The sub-section states that, " subject to the provisions of this section," a person shall not be entitled without the leave of the appropriate Court (*a*) to proceed to exercise any remedy which is available to him by way of (i) the levying of distress; (ii) taking possession or the appointment of a receiver; (iii) re-entry upon any land. Clauson, L.J., pointed out that all the provisions of the sub-section related to " self-help " by the plaintiff. It had been previously decided that the whole section referred to matters of " self-help " and had nothing to do with the obtaining from the Court directions to the Court's officer in order to enforce the order already made by the Court. Accordingly, the Act of 1939 did not prevent an application to the Court to issue a writ of possession. The appeal was allowed. It would appear, therefore, that where the term has expired, or been properly determined by notice to quit, no leave to proceed is necessary. But where an action for possession is brought solely on the ground of arrears of rent, leave to proceed is required under Section 1 (3) of the Act. But even then, in most cases, the lessor's remedy will be barred by the Rent and Mortgage Interest Restriction Acts.

EXECUTORSHIP LAW AND TRUSTS

Liability of Executors—Loss to Estate through Depreciation—Power of Retention.

In *Re Tankard* (1941, 3 All E.R. 458), the testator had appointed the Midland Bank his executors and trustees, giving them power to retain investments in their absolute discretion. In this case the person exercising discretion was the bank's branch manager. The estate was valued at £39,240, and consisted largely of 6,000 5s. shares in Prices Trust Co., Ltd.; these were valued for estate duty at 33s. 9d. each. The testator owed the bank £9,147, carrying interest at 1 per cent. over bank rate, the sum being charged on the Prices shares. The testator died in September, 1938, and until the outbreak of war the Prices shares could easily have been sold. During the year following death, prices varied from 40s. 6d. to 25s. 3d. The debt to the bank was not completely discharged until March, 1940. The Prices shares were realised at just less than 20s.

The plaintiffs contended that the estate should have been cleared of debts within a year of the testator's death, and that as it was not so cleared the onus was on the executor to show proper discretion was exercised in retention of assets and non-payment of debts; that, in fact, no proper discretion was exercised. The judgment of Uthwatt, J., is of importance. He said that whether or not due diligence was used depended on the circumstances. Executors owed a duty to beneficiaries, as well as to creditors, to pay debts with due diligence having regard to assets in hand. Where a debt bore interest, the duty was to relieve the estate of the burden; that was part of the duty of administration. As regards the period within which debts must be paid, there was no rule of law that it must be one year from the testator's death; due diligence might require payment in less than a year; if not within a year, the onus was on executors to prove due diligence. Effect must be given to any terms in the will. In the present case the power of retention was applicable. The estate was saddled with speculative assets and the executor decided in the interests of the estate to give the speculation a fair run. But he did not embark on a policy of speculation; the shares were carefully watched and the executor was advised the shares should be held. He formed an intelligent judgment; the result was unfortunate to the estate, but the liability or otherwise of the executor did not depend on results.

The Emergency Acts and Orders

In our November, 1939, issue we published the first instalment of a comprehensive guide to the wartime enactments and Orders which most concern the accountant. The twenty-seventh instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

EXPORTS

Nos. 1886, 2014, 2020, 2095 (1941). *Export of Goods (Control) Orders*, 1941, *Nos.* 41, 44, 45, 47.

The schedule of goods subject to export control is further amended.

No. 1967 (1941). *Export of Goods (Control) (No.* 43) *Order*, 1941.

Cloth or apparel bearing the utility mark may not be exported under any licence unless its export is expressly authorised thereby.

No. 2078 (1941). *Export of Goods (Control) (No.* 46) *Order*, 1941.

Brazil, Chile, Colombia, and Peru are removed from the list of destinations to which no goods may be sent.

No. 35 (1942). *Export of Goods (Control) (No.* 1) *Order*, 1942.

No goods may be exported to the Malay States or Straits Settlements.

(See ACCOUNTANCY, January, 1942, page 70.)

FINANCE

No. 1890 (1941). *Defence (Finance) (Definition of Sterling Area) (No.* 5) *Order*, 1941.

Iraq is included in the sterling area.

(See ACCOUNTANCY, November, 1941, page 35.)

LIMITATION OF SUPPLIES

No. 1813 (1941). *Limitation of Supplies (Miscellaneous) (No.* 13) *Order*, 1941.

Quotas and detailed regulations are laid down for the supply of "miscellaneous" goods in the period December 1, 1941, to May 31, 1942. The standard period is the corresponding six months of 1939-40.

Nos. 2123, 2124, 2141, 2142 (1941). *General Licences under the Limitation of Supplies (Miscellaneous) (No.* 13) *Order*, 1941.

The Board of Trade has made general licences dealing with pottery; supplies to the W.V.S. and local authorities; gold wedding rings; metal toys; and protective clothing for A.R.P. purposes.

Nos. 2061, 2077 (1941). *General Licences under the Limitation of Supplies (Toilet Preparations) (No.* 2) *Order*, 1941.

Registered persons may supply goods to traders in replacement of stock which has suffered war damage. Records must be kept and returns must be made to the Board of Trade. Goods exported may similarly be replaced.

(See ACCOUNTANCY, January, 1942, page 70.)

OFFICE MACHINERY

No. 29 (1942). *Supply of Office Machinery (Restriction) Order*, 1942.

Except under licence from the Board of Trade, it is prohibited to supply, acquire, or break up any accounting, adding, calculating, dictating, or punched-card machinery. Persons who supply, acquire, or use any of these classes of office machinery in the course of their businesses may be directed to keep books, accounts and records, to furnish returns to the Board, and to allow any person authorised by the Board to inspect their business premises and documents.

PRICES OF GOODS AND SERVICES

No. 1978 (1941). *Price Regulation Committees Regulations*, 1941.

New regulations are made, superseding those contained in No. 25 of 1940, to govern the constitution and procedure of the central and local price regulation committees.

No. 1943 (1941). *Utility Apparel (Maximum Prices) (No.* 6) *Order*, 1941.

Maximum manufacturer's, wholesaler's, and retailer's prices are prescribed for utility overalls and men's and boys' shirts and pyjamas.

No. 2024 (1941). *Prices of Goods (Price Regulated Goods) Order*, 1941.

A number of additions are made to the list of price-regulated goods.

(See ACCOUNTANCY, November, 1941, page 35.)

RETAIL TRADE

No. 1933 (1941). *Location of Retail Businesses (No.* 2) *Order*, 1941.

A licence is required for the use of premises for retail trade, even if the premises were formerly used for the same class of trade, unless the business is continued by the same person or by a person who has acquired the goodwill. A business in one of the specified categories must have included a substantial proportion of the range of goods customary in that category.

(See ACCOUNTANCY, December, 1941, page 53.)

TRADING WITH THE ENEMY

Nos. 2016, 2084 (1941). *Trading with the Enemy (Specified Persons) (Amendment) Orders*, 1941, *Nos.* 21 *and* 22.

Further additions, deletions, and amendments are made in the list of traders in neutral countries with whom dealings are forbidden.

No. 10 (1942). *Trading with the Enemy (Custodian) (No.* 1) *Order*, 1942.

Bank accounts of persons or companies who are enemies only because they are resident, controlled, or carrying on business in Hong Kong are exempted from the Trading with the Enemy (Custodian) Order, 1939. Banks may credit interest on these accounts, and may invest the money in any investments which are permissible in the case of a blocked account.

(See ACCOUNTANCY, January, 1942, page 70.)

LIMITATION OF SUPPLIES ORDERS

Retention of Traders' Records

Supplies in future periods of restriction will, it is expected, be computed by reference to those standard periods which are at present in force under the various Limitation of Supplies Orders. The Board of Trade, after consulting the Controller of Salvage, recommend that, when scrapping papers for salvage, traders should take care to keep all accounting records, invoices, etc., relating to their business operations from April 1, 1939, onwards, which may be of use in the calculation of their quotas under the current and future Orders.

Society of Incorporated Accountants

NEW YEAR HONOURS

We extend our congratulations to the following Incorporated Accountants whose names appeared in the New Year Honours List :—

C.B.E. : J. D. IMRIE, F.S.A.A., City Chamberlain, Edinburgh.

O.B.E. : J. D. EAMES, A.S.A.A., Deputy Treasurer, Birmingham City Council, lately Food Executive Officer, Birmingham ; H. P. GOWEN, J.P., F.S.A.A., Chairman, Norwich Savings Committee ; H. W. HORRIDGE, A.S.A.A., Deputy Accountant-General, Ministry of Pensions.

SCOTTISH NOTES

MR. JOHN D. IMRIE, M.A., F.S.A.A.

Scottish Incorporated Accountants were pleased when the name of Mr. John D. Imrie, the City Chamberlain of Edinburgh, appeared in the New Year's Honours.

Mr. Imrie has been City Chamberlain of Edinburgh since 1926, a position which he attained at the age of 34, at which early age his distinctive abilities were recognised.

Mr. Imrie was educated at Dollan Academy and at Edinburgh University, where he took the degree of M.A. with First Class Honours in Economic Science. He was also one of the earliest students to take the degree of B.Com., when that Chair was instituted at Edinburgh University. In 1919 Mr. Imrie qualified for membership of the Society by passing the Final Examination with Honours. He has had wide experience of municipal accountancy and was President in 1938-39 of the Institute of Municipal Treasurers and Accountants, and he is a recognised authority on municipal finance. His ability as an organiser was shown recently in the result of Edinburgh's Warship Week, and his work in connection with Street Savings Groups has been specially commended.

SCOTTISH COUNCIL

A meeting of the Council of the Scottish Branch was held in Glasgow on January 23, Mr. Robert T. Dunlop in the chair. Membership and other matters relating to the profession and of special interest to Scottish members were considered and variously dealt with. Special reports were given on calling up, deferment, the position of women audit clerks, and other matters affected by war conditions.

PERSONAL NOTES

Mr. W. B. Cowcher, O.B.E., B.Litt., Barrister-at-Law, who is a regular contributor to the columns of ACCOUNTANCY, has been appointed Clerk to the Commissioners of Taxes for the Tower Division, London, in succession to the late Mr. T. H. Humphreys.

Mr. Alexander Philip, M.B.E., A.S.A.A., Assistant Chamberlain, Greenock, has been appointed City Chamberlain of Perth.

Mr. F. R. Mylrea, Incorporated Accountant, is now practising on his own account at 42, Cato House, Smith Street, Durban.

Mr. T. W. Scollick, Incorporated Accountant, announces that the partnership subsisting between himself and Mr. Henry Scott, Incorporated Accountant, has been dissolved. The practice will be continued by Mr. Scollick under the style of Forster, Scollick and Co., at Star Buildings, 26, Northumberland Street, Newcastle-upon-Tyne.

Messrs. Cooper and Kenny, Incorporated Accountants, 34, Dame Street, Dublin, have admitted into partnership as from January 1, 1942, Mr. John Love, A.S.A.A., and Mr. R. S. Baskin, A.S.A.A. The name of the firm will remain unchanged.

Messrs. Langton and MacConnal, Incorporated Accountants, 23, Queen's Drive, Liverpool, have admitted Mr. J. L. Hughes, A.S.A.A., into partnership. The firm name will be unchanged.

Messrs. Carter, Pattimore and Bostock, Union Bank Chambers, Market Place, Huddersfield, announce that Mr. G. R. Carter and Mr. T. E. Pattimore have retired from the partnership. Mr. H. N. Bostock and Mr. F. A. Carter will practise in future under the style of H. N. Bostock and Co., Incorporated Accountants.

Messrs. J. Earle Hodges, Wright, Judd & Co., of Ridgway House, 41 and 42, King William Street, London, have taken into partnership Mr. T. H. C. Amies, A.C.A., and Mr. R. D. Judd, A.C.A., both of whom have been associated with the firm for several years. Mr. R. D. Judd is at present serving with H.M. Forces.

REMOVAL

Messrs. Rushton, Osborne and Co., Incorporated Accountants, announce a change of address to 11-12, Finsbury Square, London, E.C.2.

OBITUARY

ALEXANDER FLEMING COPLAND ROSS

It is with deep regret that we announce the death on December 20 of Mr. A. F. C. Ross, F.C.A. (Canada), F.S.A.A., Chairman of the Society's Canadian Branch. Mr. Ross had been in practice in Montreal and elsewhere in Canada for many years as a partner in Messrs. P. S. Ross & Sons. He became a member of the Society of Incorporated Accountants in 1905, when the Canadian Committee was formed, and was its first Hon. Secretary, retaining that office until his election as Chairman of the Branch in 1938. His membership of the Society of Chartered Accountants of the Province of Quebec dated from January, 1893, and in the year 1907-8 he was President of the Dominion Association of Chartered Accountants.

His many friends in the Society, both in Canada and in Great Britain, remember his courtesy and kindness no less than his outstanding professional abilities. Members who visited Canada from time to time, in connection with International Congresses and the Conventions of the Canadian and American professional bodies, were entertained by Mr. Ross with the most generous hospitality, and he was a very welcome and charming guest when he visited England. His letters and advice on professional developments in Canada were of great value to the Council of the Society.

FRANCIS WILLIAM CLARKE

We record with regret the recent death of Mr. Francis W. Clarke, F.S.A.A., senior partner of Messrs. F. W. Clarke & Co., Leicester, and a Past-President of the Incorporated Accountants' District Society of Leicester. Mr. Clarke became a member of the Society of Incorporated Accountants in 1897, and commenced public practice in Leicester ten years later. He was elected a member of the Leicester District Society at its inaugural meeting in 1928, and was President from 1929 to 1931. The funeral service took place on January 20 at Leicester Cathedral, where Mr. Clarke was a deputy warden, and was conducted by the Provost (the Very Rev. H. A. Jones) and other clergy.

LONDON CHAMBER OF COMMERCE

The London Chamber of Commerce, Commercial Education Department, will be conducting examinations from April 20 to May 22, 1942, in a number of subjects for Elementary Certificates, Certificates, Group Diplomas, School Certificates of Commercial Education, Higher Certificates, and Higher Group Diplomas. Entries and fees should be sent to Robert E. T. Ridout, Principal, Commercial Education Department, The London Chamber of Commerce, 69, Cannon Street, E.C.4, by March 16.